

The House of Purpose and Empowerment, Inc.

FINANCIAL STATEMENTS AND ACCOMPANYING INDEPENDENT ACCOUNTANT'S REVIEW AND ATTESTATION REPORT

For the year ended December 31, 2013

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC.

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To The Board of Directors
The House of Purpose and Empowerment, Inc.
Baton Rouge, Louisiana

I have reviewed the accompanying statement of financial position of The House of Purpose and Empowerment, Inc. (a non-profit organization) as of December 31, 2013, and the related statement of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 7 to the financial statements, the Organization's main source of revenue ended in June 2013 when the 21st Century Community Learning Center grant term ended, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.


June 25, 2014

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC
STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS

| | <u>2013</u> |
|------------------------------|------------------|
| Assets: | |
| Operating cash | \$ 24,798 |
| Furniture and equipment, net | 2,995 |
| Deposits | <u>2,500</u> |
| Total assets | <u>\$ 30,293</u> |

LIABILITIES AND NET ASSETS

| | |
|----------------------------------|------------------|
| Liabilities: | |
| Payroll tax liabilities | \$ <u>20,443</u> |
| Total liabilities (all current) | <u>20,443</u> |
| Net assets: | |
| Temporarily restricted | - |
| Unrestricted | <u>9,850</u> |
| Total net assets | <u>9,850</u> |
| Total liabilities and net assets | <u>\$ 30,293</u> |

See accompanying notes and independent accountant's review report

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2013

| | <u>2013</u> |
|---|-------------------|
| Revenues, gains and other support: | |
| Unrestricted revenues, gains and other support: | |
| Grant revenue | <u>\$ 354,147</u> |
| Total unrestricted revenues, gains and other support | <u>354,147</u> |
| Temporarily restricted revenues, gains and other support: | |
| Program income | <u>-</u> |
| Total revenues, gains and other support | 354,147 |
| Expenses: | |
| Program activities - 21ST CCLC | 341,277 |
| Support services: | |
| Management and general | <u>-</u> |
| Total expenses | <u>341,277</u> |
| Increase in net assets | <u>12,870</u> |
| Net assets, beginning of year | (3,020) |
| Prior period adjustment | - |
| Net assets, end of year | <u>\$ 9,850</u> |

See accompanying notes and independent accountant's review report

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2013

| | | |
|-----------------------|----|-------------------------|
| | | <u>Program Services</u> |
| | | <u>Program</u> |
| | | <u>Activities</u> |
| | | <u>21ST CCLC</u> |
| Expenses: | | |
| Professional services | \$ | 133,297 |
| Salaries and wages | | 62,016 |
| Bus service | | 18,492 |
| Program supplies | | 3,982 |
| Office rent | | 31,520 |
| Legal and accounting | | 39,000 |
| Field trips | | 22,629 |
| Payroll tax expense | | 6,482 |
| Utilities | | 7,618 |
| Telephone | | 6,340 |
| Travel | | 6,152 |
| Maintenance | | 1,298 |
| Depreciation | | 1,198 |
| Conferences | | 978 |
| Bank charges | | <u>275</u> |
| Total expenses | \$ | <u>341,277</u> |

See accompanying notes and independent accountant's review report

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2013

| | <u>2013</u> |
|---|------------------|
| Cash flows from operating activities: | |
| Increase in net assets: Current year | \$ 12,870 |
| Adjustments to reconcile changes in net assets to cash provided by operating activities: | |
| (Increase) Decrease in operating assets: | |
| Depreciation | 1,198 |
| Accounts receivable | 26,476 |
| (Decrease) Increase in operating liabilities: | |
| Accrued expenses | (15,808) |
| Payroll tax liabilities | <u>(6,281)</u> |
| Net cash used by operating activities | 18,455 |
| Cash flows from financing activities: | |
| Loan from director | <u>(7,157)</u> |
| Net cash provided by financing activities | <u>(7,157)</u> |
| Net decrease in cash and cash equivalents | 11,298 |
| Cash and cash equivalents, beginning of year | <u>13,500</u> |
| Cash and cash equivalents, end of year | <u>\$ 24,798</u> |

See accompanying notes and independent accountant's review report

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC.

Notes to Financial Statements

December 31, 2013

1) NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

a) Nature of Activities

The House of Purpose and Empowerment, Inc. (the "Organization"), is a private, nonprofit organization dedicated to building and strengthening low social economic communities through educational projects for children, youth, women and men of all ages, abilities, races, and religions. The Organization offers empowerment programs and activities to promote leadership and community development. The Organization was awarded the 21st Century Community Learning Center grant from the Louisiana Department of Education for the grant period June 2010 through May 2013. The Organization's goal through this program is to provide academic enrichment opportunities for all school age children in the East Baton Rouge Parish School District by providing after school tutorial and summer enrichment services.

b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

c) Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC 958), "Financial Statements of Not-for-Profit Organizations." Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the organization, and/or by the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

d) Contributions

In accordance with (FASB ASC 958) "Accounting for Contributions Received and Contributions Made", contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions.

e) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC.

Notes to Financial Statements, (continued)

December 31, 2013

f) Cash and Cash Equivalents

For reporting purposes, the Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

g) Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as a public charity.

h) Concentration of Risk

Source of funding:

The Organization receives all of its support from the 21st Century Community Learning Center Program (21st CCLC) which is a grant from the Louisiana Department of Education.

i) Functional Expense Reporting

The cost of providing program and support services has been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

j) Subsequent Events

The Organization's management has evaluated subsequent events through June 25, 2014, which is the date the financial statements were available to be issued.

2) CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2013, consisted of the following:

| | |
|--|------------------|
| Whitney operating bank account (21 st CCLC) | \$ 24,668 |
| Regions operating bank account (SES) | <u>130</u> |
| Total cash and cash equivalents | <u>\$ 24,798</u> |

Bank accounts on deposit with commercial banks were insured by the Federal Deposit Insurance Corporation (FDIC). On October 14, 2008, the FDIC announced its temporary "Transaction Account Guarantee Program" (TAGP), which provides full coverage for non-interest bearing transaction deposits at the FDIC insured banks. The unlimited insurance coverage is temporary and was extended until December 31, 2013.

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC.

Notes to Financial Statements, (continued)

December 31, 2013

3) FURNITURE AND EQUIPMENT

A summary of furniture and equipment for the year ended December 31, 2013 is as follows:

| | <u>2013</u> |
|-------------------------------|-----------------|
| Computer Equipment | \$ 5,990 |
| Accumulated Depreciation | <u>(2,995)</u> |
| Total Furniture and Equipment | \$ <u>2,995</u> |

4) PROGRAM INCOME

The Organization received funds from the Louisiana Department of Education for the 21st Century Community Learning Center (21st CCLC) program in the amount of \$354,147 for the year ended December 31, 2013. This program has a three year grant period beginning on June 1, 2010 and ended on May 31, 2013.

5) COMMITMENTS AND CONTINGENCIES

The Organization entered into a lease agreement with AST Kelwood II on September 1, 2010 to lease a community learning center at 8427 Kelwood Avenue, Baton Rouge, LA 70806 for one year. Monthly payments of \$2,500 are due before the 5th day of each month. The lease includes an automatic renewal clause. If either party intends to terminate the lease on its expiration date of August 31, 2011, said party must provide written notice within 60 days. Failure of either party to provide written notice of termination will automatically renew the lease for six months. Monthly lease payments were increased to \$2,800 per month beginning on September 1, 2013.

The lease expense for the year ended December 31, 2013 was \$31,520.

6) RELATED PARTY TRANSACTIONS

Periodically, the Executive Director, Dr. Stella P. Righteous, advanced funds to the Organization in order to fund operations. As of December 31, 2013, the entire balance due to the executive director of \$7,158 was paid in full.

7) GOING CONCERN

The Organization's main source of revenue in 2013 was from the 21st Century Community Learning Center grant administered by the Louisiana Department of Education (LDOE). The grant term was from June 1, 2010 through May 31, 2013. A new proposal was submitted to LDOE in the summer of 2013 for the next grant period which had a term from June 1, 2013 through May 31, 2016. The proposal was submitted late due to technical difficulties and therefore was not accepted for the new grant term. Since this grant is currently the Organization's main source of revenue, the ending of the grant term creates an uncertainty about the Company's ability to continue as a going concern. The Executive Director is actively searching for other grants and/or opportunities to continue the Organization's mission while waiting for the next 21st Century Community Learning Center grant to begin in June 2016, which she intends to apply for. The Organization also expects to receive in-kind cash donations in the interim until proposal for the new grant is submitted.

THE HOUSE OF PURPOSE AND EMPLOWERMENT, INC.

Findings and Questioned Costs

December 31, 2013

2013-01 – Delinquent Payment of Payroll Tax Liabilities

Criteria

Payroll tax returns must be submitted and payroll tax liabilities must be paid on a timely basis in accordance with federal and state rules and regulations.

Condition

It appears that Form 941 payroll taxes have not been paid for the 3rd and 4th quarters of 2010 which total \$21,733. It is the auditors understanding that Form 941 was filed with zeros for these periods which is incorrect.

Cause

Management relied on accountants that were hired to prepare required payroll tax returns and remit payroll tax payments on a timely basis. Management's lack of follow up with the accountants to ensure the required forms were filed led to the delinquent and non-filing of payroll tax returns and payment of payroll tax liabilities.

Effect

Penalty and interest for late filing and payment will be assessed and possibly seizure and levy of the operating bank account by the Internal Revenue Service.

Recommendation

We recommend that management hire a competent accountant to file Form 941 for the 3rd and 4th quarters of 2010 and remit the payroll taxes that are due.

THE HOUSE OF PURPOSE AND EMPLOWERMENT, INC.

Summary Schedule of Prior Audit Findings

December 31, 2013

2012-1 – Delinquent Filing and Payment of Payroll Tax Returns and Liabilities

Management has contracted with a competent accountant to prepare payroll tax returns and pay payroll tax liabilities on a timely basis. Payroll tax returns for the years ended December 2011, 2012, and 2013 have been filed and paid timely. There is still a balance due for payroll tax for the year ended December 31, 2010 of \$21,733. To address the remaining balance due for 2010, Management has hired the Tax Defense Network to assist in resolving the payroll tax debt. The Louisiana Department of Education issued a Notice of Closure dated June 6, 2014 regarding their request for Management's corrective action. The Notice of Closure states that management's corrective action of hiring the Tax Defense Network has sufficiently addressed the finding.

THE HOUSE OF PURPOSE AND EMPLOWERMENT, INC.

Management's Corrective Action

December 31, 2013

2013-01 – Delinquent Filing and Payment of Payroll Tax Returns and Liabilities

Management has hired the Tax Defense Network to assist in resolving the payroll tax debt from 2010. The Louisiana Department of Education issued a Notice of Closure dated June 6, 2014 regarding their request for Management's corrective action on the same prior year finding. The Notice of Closure states that management's corrective action of hiring the Tax Defense Network has sufficiently addressed the finding issued.

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**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED UPON PROCEDURES**

To the Board of Directors
The House of Purpose and Empowerment, Inc.
Baton Rouge, LA

I have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of The House of Purpose and Empowerment, Inc., the Legislative Auditor, State of Louisiana, and applicable state grantor agency/agencies solely to assist the users in evaluating management's assertions about The House of Purpose and Empowerment, Inc.'s compliance with certain laws and regulations during the year ended December 31, 2013 included in the accompanying Louisiana Attestation Questionnaire. Management of The House of Purpose and Empowerment, Inc. is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Federal, State, and Local Awards

1. Determine the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

The House of Purpose and Empowerment, Inc. award expenditures for all federal programs for the fiscal year follow:

| Federal, State, or Local Grant Name | Grant Year | CFDA No. (if applicable) | Amount |
|---|-------------------|---------------------------------|---------------|
| 21 st Century Community Learning Centers | 2013 | 84.287 | 341,277 |
| Total Expenditures = \$341,277 | | | |

2. For each federal, state, and local award, randomly select six disbursements from each award administered during the period under examination, provided that no more than 30 disbursements would be selected.

3. For the items selected in Procedure 2, trace the six disbursements to supporting documentation as to proper amount and payee.

I examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

4. For the items selected in Procedure 2, determine if the six disbursements are properly coded to the correct fund and general ledger account.

All six of the payments were properly coded to the correct fund and general ledger account.

5. For the items selected in Procedure 2, determine whether the six disbursements received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approval from the executive director.

6. For the items selected in Procedure 2: For federal awards, determine whether the disbursements complied with the applicable specific program compliance requirements summarized in the *Compliance Supplement* (or contained the grant agreement, if the program is not included in the *Compliance Supplement*) and for state and local awards, determine whether the disbursements comply with the grant agreement, relating to:

Activities allowed or unallowed

I reviewed the previously listed disbursements for types of services allowed or not allowed. All disbursements did comply with the allowability requirements and appeared necessary and reasonable in relation to the program objectives.

Eligibility

I reviewed the previously listed disbursements for eligibility requirements. All disbursements complied with the eligibility requirements.

Reporting

I reviewed the previously listed disbursements for reporting requirements. All disbursements complied with the reporting requirements.

7. For the programs selected for testing in Procedure 2 that had been closed out during the period under review, compare the close-out report, when required, with the agency's financial records to determine whether the amounts agree.

I reviewed the closeout reports prepared by The House of Purpose and Empowerment, Inc. and noted that the reports appeared to be adequately prepared and in compliance with program requirements.

Open Meetings

8. Examine evidence indicating that agendas for meetings recorded in the minute book were posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law). Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at <http://app1.la.state.la.us/lla/nsf>, to determine whether a non-profit agency is subject to the open meetings law.

The House of Purpose and Empowerment, Inc. is only required to post a notice of each meeting and the accompanying agenda on the door of The House of Purpose and Empowerment, Inc. office building. Management did not post a notice of each meeting on the office building door.

Management's Response

Management was not aware of this requirement. In the future, all Board of Director meetings times and agendas will be posted on the office building door one week prior to the meeting.

Budget

9. For all grants exceeding five thousand dollars, determine that each applicable federal, state, or local grantor agency/agency was provided with a comprehensive budget of those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance.

The House of Purpose and Empowerment, Inc. provided comprehensive budgets to the applicable state grantor agencies for the programs mentioned previously. These budgets specified the anticipated uses of the funds, estimates of the durations of the projects, and plans showing specific goals and objectives that included measures of performance.

Prior Comments and Recommendations

10. Review any prior-year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

This is the first engagement to apply agreed upon procedures.

I was not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of The House of Purpose and Empowerment, Inc., the Legislative Auditor (State of Louisiana), and the applicable state grantor agency/agencies and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in blue ink, appearing to read "John Buhler". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

June 25, 2014

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Agencies)

6/25/2014 (Date Transmitted)

Jennifer S. Bahlinger CPA LLC
3888 S. Stenwood Forest Blvd
Celtic Centre Bldg II Suite 6
Baton Rouge, LA 70816 (Auditors)

In connection with your review of our financial statements as of December 31, 2013 and for the period then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representation).

Federal, State, and Local Awards

We have detailed for you the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

Yes [☒] No []

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes [☒] No []

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes [☒] No []

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes [☒] No []

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law). **Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at <http://app1.la.state.la.us/lla/nsf>, to determine whether a non-profit agency is subject to the open meetings law.**

No []

Yes []

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes [] No [☒]

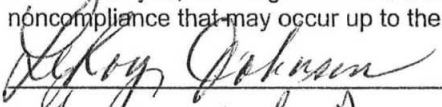


Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes [] No [☒]

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

| | | | |
|---|-----------|------------------|------|
|  | Secretary | <u>6/25/2014</u> | Date |
|  | Treasurer | <u>6/25/2014</u> | Date |
|  | President | <u>6/25/2014</u> | Date |